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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

13 July 1951

Memorandum to the Director of Central Intelligence

Subject: Re-evaluation of the Importance of Abadan.

In NIE -14, and in all subsequent evaluations on the subject, we estimated that the effects of the loss of Abadan could be offset by expanding refinery output elsewhere, but that "at least six months would be required to place marginal plants (elsewhere in the world) in operation, to change the composition of refinery output, to alter tanker routings, and to complete the redistribution of crude oil among other refineries."

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concluded that, if Iranian oil (including Abadan refined products) is lost, Western producers can "very quickly" cover the deficit. This time period may be presumed to mean several weeks or, at most, a few months. Hence, Western rearmament would almost certainly sustain no appreciable setback in the form of an oil shortage resulting from the loss of Abadan.

This change in the estimate of the speed with which Abadan output can be replaced does not alter the fact that, since a large part of replacements would come from the dollar area (probably

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at higher prices), financial difficulties arising from an aggravation of the dollar shortage would ensue. It appears that a heavy blow to dollar balances would be dealt the sterling area as a whole, with the UK, India, and Australia the most severely hit. This comes at a time when the dollar position of the sterling area has been growing more critical for other reasons. In addition, it appears that France and (to a lesser extent) several other Western European countries would face payments difficulties. Thus, through secondary effects, the loss of Abadan would still have a serious adverse effect.

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